

Message Text

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71

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 L-03 INT-08 SCEM-02 SS-20

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /077 W

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R 212140Z DEC 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5825

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN JOSE 4496

E.O. 11652: GDS

TAGS: ENRG, CS

SUBJECT: TRANSCONTINENTAL OIL PIPELINE QUESTIONED

1. SUMMARY. A TELEPHONE INQUIRY FROM AN ALEXANDRIA, VIRGINIA ATTORNEY INSPIRED AN EMBASSY INVESTIGATION INTO A SUPPOSEDLY PROPOSED PROJECT FOR THE CONSTRUCTION IN COSTA RICA OF A TRANSCONTINENTAL PIPELINE. THE ESTIMATED COST OF THE PROJECT WAS SAID TO BE \$250 - \$300 MILLION. A GUATEMALA PROMOTER IN THE U.S. SEEKING ADVANCE PAYMENT OF FEES FOR HIS FINANCIAL SERVICES AROUSED THE ATTORNEY'S SUSPICION. EMBASSY WAS NOT KNOWLEDGEABLE OF THE PROJECT AND AFTER ITS INVESTIGATION WAS UNABLE TO ESTABLISH THE VALIDITY OF SUCH A PROJECT. THE DEPARTMENT'S COOPERATION IN THIS INVESTIGATION IS REQUESTED. END SUMMARY.

2. IN ADDITION TO THOSE VERY QUESTIONABLE SCHEMES INVOLVING GOLD MINES AND LAND DEALS IN COSTA RICA, THE WORLD ENERGY CRISIS HAS FORCED INTO THE OPEN STILL ANOTHER. THIS ONE SUPPOSEDLY INVOLVES A PROJECT FOR THE CONSTRUCTION OF A 48 INCH OIL PIPELINE THROUGH THE SOUTHERN PART OF COSTA RICA BETWEEN GULFO DULCE
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ON THE PACIFIC AND THE PUERTO LIMON.

3. THE PIPELINE IS SUPPOSED TO BE CONSTRUCTED OVER A DISTANCE OF 140 KILOMETERS AT A COST OF \$250 TO \$300 MILLION AND IS THE THIRD PROJECT OF THIS TYPE TO BE PROPOSED FOR COSTA RICA SINCE 1970. ROYALPAR INDUSTRIES OF NEW YORK CITY PROPOSED IN 1970 TO CONSTRUCT A 300,000 BARRELS PER DAY OIL REFINERY AND A 120 MILE PIPELINE IN NORTHERN COSTA RICA AT A COST OF \$480 MILLION. LATER IN 1970, AMANEDA HESS CORP. OF NEW YORK CITY PROPOSED TO CONSTRUCT A PIPELINE FROM CULEBRA BAY IN GUANACASTE TO A POINT JUST NORTH OF LIMON. THIS PROJECT WAS TO REPRESENT AN INVESTMENT OF \$99.5 MILLION, 49 PERCENT COSTA RICAN CAPITAL AND 51 PERCENT U.S. NEITHER OF THESE PROPOSALS HAVE THUS FAR BEEN SERIOUSLY CONSIDERED BY THE GOCR.

4. THE MOST RECENT PROPOSAL BY COMPANIA INTEROCEANICA DE TRANSPORTES DE LIQUIDO LTD. IS A PARTNERSHIP OF GUATEMALAN FERNANDO GALLO ZELAYA, PRESIDENT (90 PERCENT) AND COSTA RICAN RICARDO ALBARRACIN SORA (10 PERCENT). THE COMPANY FIRST APPLIED FOR REGISTRATION AS A CORPORATION UNDER COSTA RICAN LAW IN NOVEMBER 1972 BUT WAS SUBSEQUENTLY REGISTERED AS A LIMITED PARTNERSHIP. EMBASSY HAS BEEN UNABLE TO UNCOVER SUBSTANTIVE INFORMATION THAT WOULD ESTABLISH THE FINANCIAL POSITION OF THE COMPANY, ITS CAPABILITIES OR ITS CREDIBILITY.. IT IS LISTED IN THE SAN JOSE TELEPHONE DIRECTORY AT THE NUMBER AND RESIDENCE OF ITS VICE PRESIDENT. THE FIRM IS UNKNOWN TO LOCAL BANKS AND TO INFORMED PEOPLE WITHIN THE LOCAL BUSINESS COMMUNITY.

5. THE EMBASSY WAS INFORMED THAT THE PROPOSAL HAS ALREADY BEEN APPROVED BY THE MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE AND THE PRESIDENT OF THE REPUBLIC BUT DID NOT FOLLOW THE USUAL PROCEDURES WITHIN THE MINISTRY. LEGISLATION HAS BEEN PROPOSED THAT WILL PERMIT A BROAD RANGE OF PROJECTS, INCLUDING THOSE OF THIS TYPE, BUT CANNOT BE CONSIDERED UNTIL CONGRESS RECONVENES NEXT FEBRUARY 11, 1974. INFORMED GOVERNMENT SOURCES SUGGEST THAT THIS LEGISLATION

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WILL NOT PASS.

6. MR. FERNANDO GALLO ZELAYA, PRESIDENT OF COMPANIA INTEROCEANICA DE TRANSPORTES DE LIQUIDOS LTD., RESIDES IN NEW YORK CITY, NEW YORK, AT HOTEL ALRAE, 37 EAST 64TH STREET. HE HAS PROPOSED TO ARRANGE THE FINANCING OF 20 MILLION DOLLARS OF U.S. HEAVY CONSTRUCTION MACHINERY AND EQUIPMENT FOR

U.S. CITIZEN MR. JAMES T. LEGORY AT A FEE OF \$50,000. THIS FEE IS TO BE PAID 50 PERCENT IN ADVANCE AND 50 PERCENT UPON THE SUCCESSFUL COMPLETION OF THE FINANCING ARRANGEMENTS.

7. MR. LEGORY IS A MIDDLEMAN REPRESENTING SEVERAL U.S. MANUFACTURERS OF CONSTRUCTION EQUIPMENT. HIS ATTORNEY PAUL SCANLON, ALEXANDRIA, VIRGINIA (703) 549-500 PHONED THE EMBASSY ON FRIDAY, DECEMBER 14 TO INQUIRE ABOUT THE CREDIBILITY OF MR. GALLO AND THE COMPANY. IN A SECOND TELEPHONE CONVERSATION THURSDAY, DECEMBER 20, WITH EMBOFF MR. SCANLON WAS INFORMED OF THE LACK OF LOCALLY AVAILABLE INFORMATION ON MR. GALLO OR HIS COMPANY. THIS WAS INTERPRETED AS A CAUTIOUS ALARM.

ACTION REQUESTED:
DEPARTMENT IS REQUESTED TO PROVIDE EMBASSY WITH ANY INFORMATION THAT IT MAY HAVE ABOUT MR. GALLO, HIS COMPANY OR THE PROJECT.
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Message Attributes

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